

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2347-03  
Bill No.: HCS for HB 967  
Subject: Economic Development Dept.; Housing; Licenses - Professional; Banks and Financial Institutions  
Type: Original  
Date: March 23, 2009

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Bill Summary: Regulates real estate appraisal management companies.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$2,242	\$10,102	\$2,152
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$2,242</b>	<b>\$10,102</b>	<b>\$2,152</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	4	4	4
<b>Total Estimated Net Effect on FTE</b>	<b>4</b>	<b>4</b>	<b>4</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

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### **ASSUMPTION**

Officials from the **Office of State Courts Administrator** assume the proposal will not fiscally impact their organization.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources. If multiple cases arise, the AGO may seek additional appropriations to cover the increase in case load.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS realizes this is a small amount and does not expect that additional funding would be required to meet these costs. The SOS recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of that the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state the Division of Finance (Division) would review the application, background investigation report and moral character of the applicant and decide whether or not to issue a certificate of registration. It is estimated there are 240 Appraisal Management Companies nationwide and the DIFP is estimating that approximately half of these companies will register with the Division. The initial licensing fee is estimated to be \$4,650 and the yearly renewal fee is estimated to be \$3,100. The Division is estimating it will need four (4) additional FTE to accomplish the new registering and examination requirements including one (1) Supervisor to manage the section, review and process applications and receive complaints; two (2) examiners to conduct routine examinations and investigate complaints; and one (1) Senior Office Support assistant to process registrations and related correspondence. It is assumed that all fees would be deposited into a new Real Estate Appraisal Management Fund, although the proposal does not specify where the fees will be deposited, and the Division of Finance Fund would be reimbursed through a transfer appropriation similar to Savings and Loans and Residential Mortgage Companies.

The DIFP notes that rental space for the four (4) FTE would be required as well as a database (\$200,000 one-time cost) to be used for the purpose of tracking and monitoring registrations.

ASSUMPTION (continued)

The Division estimates FY 10 revenue of \$558,000 (120 companies X \$4,650) and FY 11 and 12 revenue of \$372,000 each. It is estimated that FY 10 costs will be approximately \$555,758; FY 11 costs will be \$361,898; and FY 12 costs will be \$369,848.

**Oversight** notes the proposal is silent regarding where fees for the certification of real estate appraisal management companies is to be deposited. Therefore, **Oversight** assumes all fees and expenses will be deposited into and charged against the General Revenue Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2010	FY 2011	FY 2012
<b>GENERAL REVENUE FUND</b>			
<u>Income - DIFP</u>			
Initial certification/renewal fees	\$558,000	\$372,000	\$372,000
<u>Expenses - DIFP</u>			
Personal service costs	(\$199,770)	(\$209,883)	(\$215,130)
Fringe benefits	(\$94,251)	(\$99,023)	(\$101,498)
Equipment and expense	(\$61,737)	(\$52,992)	(\$53,220)
Database	<u>(\$200,000)</u>	<u>\$0</u>	<u>\$0</u>
Total Cost - DIFP	<u>(\$555,758)</u>	<u>(\$361,898)</u>	<u>(\$369,848)</u>
FTE Change - DIFP	4.0 FTE	4.0 FTE	4.0 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$2,242</u></b>	<b><u>\$10,102</u></b>	<b><u>\$2,152</u></b>
Estimated Net FTE Change on General Revenue Fund	4.0 FTE	4.0 FTE	4.0 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2010	FY 2011	FY 2012
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### FISCAL DESCRIPTION

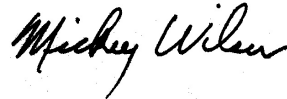
This proposal establishes the Missouri Appraisal Management Company Registration and Regulation Act to regulate real estate appraisal management companies. In its main provisions, the proposal: (1) Makes it unlawful for any person to act as a real estate appraisal management company, to directly or indirectly engage or assume to engage in the business of real estate appraisal management or to advertise or hold himself or herself out as engaging in or conducting the business of real estate appraisal management without being registered with the Division of Finance within the Department of Insurance, Financial Institutions and Professional Registration; (2) Allows the division to adopt rules necessary to implement, administer, and enforce the provisions of the proposal; (3) Requires appraisal management companies to make written application to the division for the registration of the company accompanied by the required fee as established by rule; (4) Allows the division to take disciplinary action for violations of the provisions of Sections 361.800 - 361.855, RSMo, as specified; (5) Requires registrants who believe a real estate appraiser has violated any applicable law or the Uniform Standards of Professional Appraisal Practice (USPAP) to file a complaint with the division against the appraiser; (6) Requires fees charged by a real estate appraiser to comply with USPAP standards and not to contain hidden charges; (7) Requires applicants who are not residents of this state to also submit with their application an irrevocable consent that service of process in any action against the applicant arising out of the applicant's activities as an appraisal management company be made by delivery of the process on the division director and to submit the name and address of its registered agent; (8) Requires registrants to maintain complete records of all appraisal information and allows the division to inspect the records periodically without prior notice or when pertinent to an investigation; (9) Specifies that registrations will expire June 30 of every year and become invalid unless renewed by filing an application and paying a renewal fee as established by rule; (10) Requires the division to keep records relating to all applicants for registration whether granted or refused. The division will also keep a current roster of all appraisal management companies registered and will file the roster with the Secretary of State on or before November 1 of each year; and (13) Requires a surety bond of \$250,000 to accompany each registration.

The substitute contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program.

SOURCES OF INFORMATION

Office of Attorney General  
Office of Administration -  
    Administrative Hearing Commission  
Office of State Courts Administrator  
Department of Insurance, Financial Institutions and Professional Registration  
Office of Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 23, 2009